



INTERNATIONAL TROPICAL TIMBER ORGANISATION / FLEGT INDEPENDENT MARKET MONITOR (IMM)

A study of EU public timber procurement policies, related guidance and reference to FLEGT

AN IMM STUDY – MAY 2019



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*FSC certified Ipe wooden decking (Handroanthus spp.) used extensively outside the National Library of France – François-Mitterrand site, Paris.
Source: G. White*

The views expressed herein are those of the consultant and the IMM and do not necessarily reflect the official opinion of the European Commission

Executive Summary

At least 20 EU member states now possess some form of public procurement policy for products containing or made from wood. Although they vary significantly in terms of their definition of criteria, coverage of products, applicability to different levels of government and whether they are voluntary or mandatory, they all aim to require, or at least encourage, government buyers to source legal, and often sustainable, timber.

Public procurement is perceived to play a significant role in the EU market place for forest products, though the exact contribution is hard to define. Many member states have invested greatly in setting policies through complex processes, with great consideration paid to policy content. Most EU member states have mandatory purchasing policies for central government departments and voluntary policies for local authorities and other agencies. The majority of public spending is undertaken at a local government level though and little monitoring of policy compliance has been directly observed. Most EU member state governments do not know how much wood they purchase and therefore have no indication of how much sustainable, legal or FLEGT-Licensed material might be included within their procurement.

The interviews conducted for this study focused on a small number of questions, which were developed to allow a range of individuals in different countries and with different responsibilities to comment. The primary purpose of the interviews was to gather together perceptions of FLEGT Licensing in the context of public procurement. The modest sample of views indicates that government procurement policy is quite well understood, valued as important to the wider market and influential in the private sector.

An almost universal feeling from those involved in business, as a trader or representing a trade association, was that there is little or no monitoring of compliance within

government agencies. The majority of those interviewed felt that in effect many of the procurement officers within government have little knowledge about how tropical wood is produced but that they do have the same negative prejudices that many in society carry. This leads to tropical wood perhaps facing more scrutiny than other wood-based materials. The interviews revealed a broad consensus that procurement officers do not have a clear understanding of what FLEGT Licensing is or what it represents and do not have knowledge of the wider Voluntary Partnership Agreement (VPA) process and its beneficial impacts.

Like forest certification, FLEGT Licensing faces the challenge of communicating the benefits it brings across a range of countries, forest types and political frameworks.

The study recommends:

- Communication of the results of independent reviews of the performance of the systems underlying FLEGT Licences.
- Researching, consulting widely and then clarifying and communicating the status of FLEGT Licensing compared to third party certification
- Support for the efforts of the FLEGT counties, especially those with functional timber legality assurance systems (TLAS) systems, to promote the benefits and positive impacts of these systems.
- Active engagement of civil society organisations and private sector organisations seeking to influence public sector procurement policies.
- Speeding up the introduction of FLEGT-Licensed timber supplies from other VPA countries.

ACRONYMS AND ABBREVIATIONS

CITES	Convention on International Trade in Endangered Species
CSO	Civil society organisation
EU	European Union
EUTR	European Union Timber Regulation
FLEGT	Forest Law Enforcement, Governance and Trade
FSC	Forest Stewardship Council
GMO	Genetically modified organism
GPP	Green procurement policy
HCVF	High Conservation Value Forest
HS	Harmonised System (of customs codes)
IFL	Intact Forest Landscape
IMM	Independent Market Monitor
ITTO	International Tropical Timber Organization
m³	Cubic metre
NAP	National action plan – in the context of green public procurement
NGO	Non-governmental organisation
PEFC	Programme for the Endorsement of Forest Certification
RWE	Round wood equivalent – a conversion factor to allow comparison
TPP	Timber procurement policy
UK	United Kingdom of Great Britain and Northern Ireland
VPA	Voluntary Partnership Agreement

ABOUT IMM

Independent Market Monitoring (IMM) is a multi-year programme funded by the European Union (EU) and managed by the International Tropical Timber Organisation (ITTO). IMM's role is to use trade flow analysis and market research to independently assess trade and market impacts of FLEGT Voluntary Partnership Agreements (VPAs).

ABOUT ITTO

The International Tropical Timber Organization (ITTO) is an intergovernmental organization promoting the conservation and sustainable management, use and trade of tropical forest resources. Its members represent the bulk of the world's tropical forests and of the global tropical timber trade. ITTO develops internationally agreed policy documents to promote sustainable forest management and forest conservation and assists tropical member countries to adapt such policies to local circumstances and to implement them in the field through projects. In addition, ITTO collects, analyses and disseminates data on the production and trade of tropical timber and funds projects and other actions aimed at developing sustainable forest industries at both the community and industrial scales. Since it became operational in 1987, ITTO has funded more than 1000 projects, pre-projects and activities valued at more than US\$400 million. All projects are funded by voluntary contributions, the major donors to date being the governments of Japan and the United States of America.

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1 Introduction

More than 20 EU member states now possess some form of public procurement policy for products containing or made from wood. Although they vary significantly in terms of their definition of criteria, coverage of products, applicability to different levels of government and whether they are voluntary or mandatory, they require, or at least encourage, government buyers to source legal, and often sustainable, timber.

Public procurement is often perceived as an influential component of the wider market for forest products. For what is potentially such an important component in the market it might be expected that the governments which focus on FLEGT and improving governance in partner countries, the governments that introduced an EU regulation to prohibit illegal wood trade, to then in turn secure supplies of legal and sustainably produced wood for their own purposes. Having in theory created an EU market that should welcome FLEGT-Licensed materials, do the same governments seek to buy such material?

This study seeks to investigate the relationship between public sector procurement and associated procurement policies and their relationship, or lack thereof, with FLEGT-Licensed timber and the wider FLEGT VPA process.

It reviews whether existing policies impose an equivalent requirement for legality at source on non-wood products and seeks to provide an overview of sustainable timber definitions currently used by the European public sector.

It considers when sustainable timber definitions were developed and whether early policies have been modified to take into account reform processes in timber-producing countries or shifts in global consumption patterns of tropical timber and the declining relevance and level of leverage of Europe as a tropical timber consumer. It seeks to identify national and regional variations in policy in some key market countries.

2 Methodology

This study is based upon a combination of internet research and a small number of interviews. The internet research allows a broad review of guidance issued and timber, paper and furniture procurement policies developed or promoted by a range of organisations including:

- The European Union
- National level government
- Local level government

In addition to policies, policy templates and related frameworks a range of other influences has also been considered. These less direct influences have been deemed of value to the study as they shape policies, as many of the phenomena included require a defined set of policy responses in order to receive favourable responses. In addition a small number of interviews (12) were conducted with a range of individuals representing a range of agencies and organisations using a semi-structured interview technique. The resulting narrative includes reference to the interviews and points made where relevant. Anonymous points of view were also recorded at the IMM Trade Consultation meeting in Antwerp in April 2019.¹

Geographic scope

Please note that study was prepared during the latter period of the United Kingdom's withdrawal ("Brexit") from the EU. For the purposes of this report all references to the EU and EU member states refer to the 28 Member States except where a named country is specifically referenced.

Limitations to the study

- The range of interviews is very modest and can only capture a flavour of opinions.
- The internet review of literature is largely limited to publications available in the English language. Some translation has been possible for specific documents.
- Lack of time prohibits exhaustive checks on all available documentation. Therefore some documents may be marked as "not found", "no data" or "no reference available" due to limitations in both language and time available to fully explore government websites.
- The author accepts responsibility for any inaccuracies.

Forest product public procurement policies – a brief history in the EU

What is public procurement?

‘Public procurement’ can be defined as *“the acquisition, whether under formal contract or otherwise, of works, supplies and services by public bodies. It ranges from the purchase of routine supplies or services, to formal tendering and placing contracts for large infrastructural projects by a wide and diverse range of contracting authorities”*.^{2,3}

“Procurement” is a broader term than the actual act of purchase itself. It is the process of acquiring goods, services and works, spanning the planning of what is needed, through to the end of a services contract, or the end of the useful life of an asset. It also must take account of how the goods are originally sourced and what will happen at the disposal phase.⁴

In the 1970s, the former Federal German government legislated to require tropical timber used in federal building projects to be “sustainably produced”⁵ – probably the first government procurement policy to directly impact on tropical timber sourcing. Generally though procurement policies specific to timber are still relatively new instruments with the first widely known policy developed in the UK, with voluntary guidelines, in 1997. The first specific policy was issued by Denmark in 2003.⁶

Many public-sector timber procurement policies (TPPs) are part of, or have evolved from, more general green public procurement policies and initiatives. They are not isolated efforts but usually part of broader strategies to promote sustainable production and consumption.

European Union Green Procurement Policy

Green Procurement Policy (GPP) is central to the Europe 2020 Strategy,⁷ which considers sustainable growth or “green growth” to be at the heart of a resource efficient future for Europe. Apart from averting the economic dislocation caused by unchecked climate change, *“investment in resource efficiency will generate gains in areas such as air quality, human health, energy security, and commercial opportunities in markets for environmental goods and services”*.

Within the EU, public procurement policy is a matter of member state competence, although general procurement rules are set at the EU level. Nevertheless, the European Commission has tried to encourage member states to adopt broad green procurement policies.

Support for green public procurement from the FLEGT Action Plan

The FLEGT Action Plan of 2003 provided added stimulus to the need for public procurement policies across the EU member states. The FLEGT action plan includes a number of measures aimed at increasing demand for verified legally produced timber:⁸

- (a) Encouraging the private sector in the EU to adopt purchasing policies to ensure that only legal timber enters their supply chains
- (b) Encouraging countries in the EU to adopt public procurement policies that require all timber supplied to be verified as legal
- (c) Preventing illegal timber from entering the EU market through the enforcement of the EU timber regulation
- (d) Creating measures to avoid investment in activities that encourage illegal logging.

The EU legal context for green public procurement

The implementation of policies to advance GPP takes place in the context of the rules of the European Union’s Single Market and especially the corpus of legislation dealing with public procurement.

The extent to which environmental and social criteria may be included in tenders and contracts for public sector procurement was clarified by EU Directives 17⁹ and 18¹⁰ of 2004. These directives allow for such criteria, provided that they *“are linked to the subject-matter of the contract, do not confer an unrestricted freedom of choice on the contracting authority, are expressly mentioned and comply with the fundamental principles [of the Treaties]”*. With these caveats the public procurement directives state *“how the contracting authorities may contribute to the protection of the environment and the promotion of sustainable development [in accordance with Article 11 of the Treaty on the Functioning of the European Union] whilst ensuring the possibility of obtaining the best value for money for their contracts”*.¹¹

In 2008, the European Commission’s “Promoting Legal and Sustainable Timber: Using Public Procurement Policy Communication – *Public Procurement for a Better Environment*” provided guidance on developing green public procurement strategies and set an indicative target that by 2010, 50% of all public tendering procedures should be green.¹² A report in 2012 suggested that this target had been missed, with only 26% of contracts meeting all core green criteria; there was considerable variation between countries and products.¹³ It has not been possible to identify any more recent sources to update these figures (though this is discussed later within this study).

In 2003, the European Commission in its communication¹⁴ on Integrated Product Policy (IPP) encouraged Member States to draw up publicly available National Action Plans (NAPs) for greening their public procurement. The NAPs should contain an assessment of the existing situation and ambitious targets for the next three years, specifying what measures will be taken to achieve them. The NAPs are not legally-binding but provide political impetus to the process of implementing and raising awareness of greener public

procurement. They allow Member States to choose the options that best suit their political framework. As of June 2018 23 member states had adopted NAPs and 5 had not (Estonia, Greece, Hungary, Luxembourg, Romania).¹⁵

The Commission also began a programme of developing common GPP criteria, with the aim of opening up procurement contracts to companies across the EU. As of February 2019, criteria had been agreed for 19 product groups / end uses,¹⁶ including *Copying and Graphic paper, Office Building Design, Construction and Management and Furniture*.^{17,18,19} An additional set of criteria for Wall Panels was previously developed but has now been discontinued.²⁰ The adoption of the current criteria is voluntary for EU member states. In each case the guides include core criteria, which are recommended for use by all public authorities, and more comprehensive criteria, which are recommended for authorities wishing to purchase the best performing or least impacting environmental products.

Current green public procurement criteria

The legality and sustainability requirement for timber within the relevant product group criteria are the same in all cases (i.e. the 3 sets of criteria mentioned above) when referring to wood based products, and are also the same in the core and the comprehensive criteria. They include the requirement that any virgin timber used must be legal; with acceptable forms of proof including FSC or PEFC or equivalent; or FLEGT licences; or a declaration of legality accompanied by a chain-of-custody tracking system. There are no absolute requirements for “sustainability”, but there is recognition of the desirability of evidence of sustainable forest management, as defined by various international “SFM processes”; FSC, PEFC or equivalent. ‘Other appropriate means of proof’ are accepted as evidence. Acceptable forms of proof of compliance with these sustainability criteria include the EU Ecolabel, other national type I ecolabels^A fulfilling the listed criteria; chain-of-custody certificates such as FSC, PEFC or equivalent; and ‘any other appropriate means of proof,

such as a technical dossier of the manufacturer or a test report from a recognised body’.

The criteria for office building design, construction and management and for furniture have for both their core and their comprehensive criteria, incorporate the definition of legal timber contained in the EUTR.²¹ Acceptable forms of proof of legality for product categories not included in the EUTR (for example, wooden chairs, or printed material) include FLEGT licences, Convention on International Trade in Endangered Species (CITES) permits and due diligence systems like those specified in the EUTR, providing information on the country of harvest, species, quantities, supplier details and information on compliance with relevant national legislation, as well as mitigation measures if there is considered a high risk of illegal logging.²²

Several Member States are using their own GPP (or “sustainable public procurement”) criteria to define sustainable management of forests and have different processes in place to determine whether certification schemes provide sufficient assurance. The details of these are given in *Table 3*.

Uptake of green public procurement

The EU GPP criteria have been taken up across the EU, and seven EU member states – Bulgaria, Croatia, Cyprus, the Czech Republic, Malta, Slovakia and Slovenia – have so far adopted the GPP criteria for one or more of the timber-related product categories (*see Table 3*).

Green public procurement and the role of local government

With the exception of the Netherlands,²³ timber procurement policies / green procurement policies applying to forest products are not mandatory at local government level, i.e. they are voluntarily applied. The available evidence suggests that application is voluntary (or simply not applied) across the remaining 27 member states (*see Figure 6*).

Year	Belgium	France	Germany	Italy	Netherlands	Spain	UK	Remaining EU 21	Total
2005	1.153	1.348	0.900	1.629	1.276	0.905	1.224	0.765	9.199
2009	0.578	0.853	0.704	0.742	0.998	0.255	0.806	1.019	5.956
2013	0.754	0.660	0.469	0.536	0.598	0.233	0.763	0.530	4.545
2017	0.807	0.537	0.472	0.416	0.643	0.171	0.840	0.490	4.377
Decline - Change from 2005 to 2017	-30%	-60%	-48%	-74%	-50%	-81%	-31%	-36%	-52%

Table: 1 Major EU markets for products under HS 44 imported from VPA partner countries (million / cubic metres RWE)

^A The International Organization for Standardisation (ISO) has identified three broad types of voluntary labels, with eco-labelling fitting under the strongest “ISO 14024 Type 1 designation”:
 TYPE I: a voluntary, multiple-criteria based, third party programme that awards a license that authorises the use of environmental labels on products indicating overall environmental preferability of a product within a particular product category based on life cycle considerations
 TYPE II: informative environmental self-declaration claims
 TYPE III: voluntary programmes that provide quantified environmental data of a product, under pre-set categories of parameters set by a qualified third party and based on life cycle assessment, and verified by that or another qualified third party.
 Source: Global Eco-labelling Network <https://globalecolabelling.net/what-is-eco-labelling/>

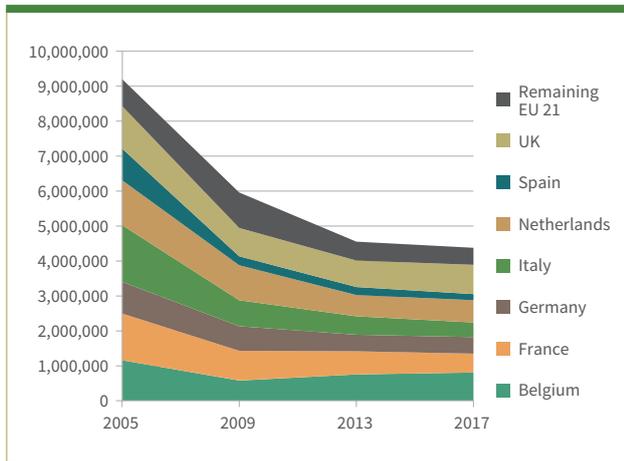


Figure 1: EU imports by RWE m³ for the years 2005 to 2017 from the VPA partner countries under HS 44. Source: IMM

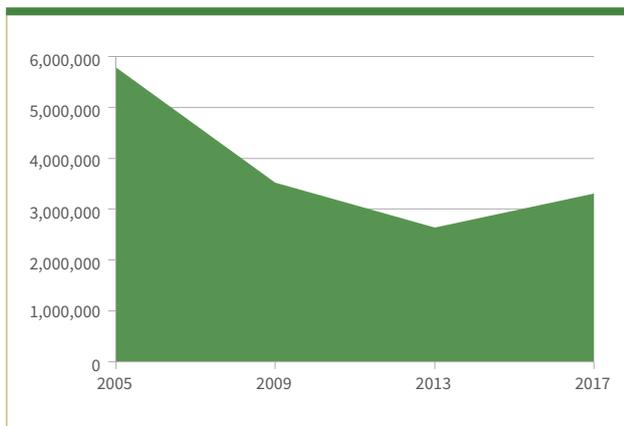


Figure 2: EU imports by RWE m³ for the years 2005 to 2017 from Brasil under HS 44. Source: IMM

Public Procurement in a declining EU market for tropical timber

The past 15 years have seen a steady decline in the overall volume of wood based products^B imported in to the European Union from the VPA partner countries. As *Figure 1* indicates, over the last 15-year period the overall volume has fallen from 9.2 million cubic metres round wood equivalent in 2005 to around 4.2 million in 2017.^C

It is not the purpose of this study to explore the overall decline or the more general reasons for this decline as this is the wider purpose of the IMM and its series of studies and monitoring. It is important though, for the purposes of this study, to consider the contribution of public sector procurement to the decline and to any future remedies

as it clearly in the interests of the VPA partner countries to maximise their export sales to the EU to compensate their efforts to increase levels of legal compliance in the sector. The majority of the products exported from the VPA countries are included in HS code 44 (though it does not include pulp, paper and furniture) so it is chosen here at it the most relevant series of products for all of the VPA partner countries when they consider the EU as an export market for FLEGT-Licensed products.

It is also important to see in more detail the picture (see *Table 1*) across the major consuming countries to allow a more granular appreciation of the overall market for HS 44 products from the VPA countries to attempt to assess the impact of public procurement policies.

Imports of wood products from the VPA countries have fallen overall by over 50% since 2005. The greatest reductions are seen in Spain (-81%), Italy (-74%) and France (-60%). The smallest reductions are seen in Belgium (-30% though now increasing annually), UK (-31% and also now increasing annually). The markets in Germany and Netherlands have both halved since 2005 though in 2017 appear year-on-year to have stabilised.

Of course the VPA countries are not the only sources of tropical timber imported in to the EU (though they do represent around 80% of global trade in tropical timber²⁴). Brazil is one of the larger “tropical” countries exporting to the EU and it too has seen a reduction in the volume of material exported under the HS44 category since 2005 – with a 43% reduction in this time period. *Figure 2* indicates a similar decline for Brazil as was seen for the wider group of VPA countries.

What is clear is that all tropical wood-producer countries have seen a decline in the volume of exports to the EU of wood based products in the past 15 years. What is also apparent (from this limited review) is that the VPA countries have not fared better than their non-VPA competitors.

Of course the period 2005 to 2017 covers some of the most momentous global changes, especially the impact of the global financial crisis. Whatever the impact of public procurement policies and public procurement per se, any analysis covering this period cannot discount the impact of the financial crisis and the lengthy period of readjustment.^D What is clear is that tropical wood imports to the EU are not growing at the same rate as other materials²⁵ and generally remain much lower than they did 15 years ago.

If public procurement policy has an impact on the market – has it precipitated the decline or has it helped to arrest it? The remainder of this study will seek to find an answer to this question.

^B The figures include all products categorised under HS 44 – “Wood and articles of wood”, as defined within *Commission Implementing Regulation (EU) No 1001/2013 of 4 October 2013 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff*.

^C All time series data in this section is adapted from the IMM website (<http://www.stats.flegtimm.eu/>). The data was downloaded from IMM Trade Dashboard and represents: *EU member imports of all wood products in HS 44 from VPA partner countries quantity - RWE in cubic meters*. The original data source is the Eurostat COMEXT database (<https://ec.europa.eu/eurostat/web/international-trade-in-goods/data/focus-on-comext>)

^D The impact of the global financial crisis on tropical timber trade flows and markets is discussed in detail within IMM / ITTO *FLEGT VPA Partners in EU Timber Trade 2014 to 2016 - Main Report - Final Version - 12 October 2017*. http://www.flegtimm.eu/images/2015_report/VPA_Partners_In_EU_Timber_Trade_2014_to_2016_IMM_Main_Report_Final.pdf. The impact also features in earlier reports from IMM available from: <http://www.flegtimm.eu/index.php/reports>

The potential impact of public sector procurement policies

“Government, civil society, and private sector actions and policies are significantly impacting how companies source timber internationally”.²⁶

“Overall, initiatives on public procurement had a clear positive effect on the market, boosting demand for verified and/or certified timber products and stimulating improvements in the certification systems, while also encouraging further uptake of procurement policies. The number of national public procurement policies on timber products has significantly increased since the adoption of the Action Plan, although limited harmonisation in terms of product scope and requirements (legal, sustainable, legal and/or sustainable, sustainable or FLEGT licence) has prevented implementation from being optimal.”²⁷

Public procurement policies can play an important role in encouraging trade in legal and sustainable timber. Government purchasing of timber can account for a significant proportion of all timber purchasing in a given country, and therefore has considerable potential to influence buying practices and to promote good business practices across the timber market as a whole.²⁸

The importance of public procurement²⁹ to the marketplace makes government procurement policy a key instrument in attaining the vision set out in the Europe 2020 Strategy (the 10-year strategy proposed by the European Commission in 2010 for advancement of the economy of the European Union). It aims at “smart, sustainable, inclusive growth” with greater coordination of national and European policy.

Sustainable procurement is therefore about using public spending to achieve social and environmental objectives, and to strategically use the public sector’s economic power to catalyse innovation in the private sector.

A theory of change for public procurement policies was neatly characterised in 2015 as follows:

- 1) The large share of government expenditure in GDP will create a market for sustainable goods. The direct market effect.
- 2) Government should play a leadership role in inspiring consumers and responsible players in the private sector. The leadership effect.
- 3) The actions of government have knock-on effects, causing suppliers to simplify their supply chains around sustainable products. The supplier consolidation effect.

Market share of public procurement

To assess the economic and market effects of procurement policies, it is important to understand their areas of impact to try and measure the market effect.

Generally, there are two types of impact: the **direct** procurement effects; and the **indirect** market effects,

in which the requirements of government or other buyers shape supplier specifications or behaviour.³¹

The overall average in member countries of the Organization for Economic Co-operation and Development for government expenditure as a share of gross domestic product (GDP) is 12%.³² Many of the papers and discussions on procurement policies assume that the share of the timber market affected is equal to the government expenditure share of gross domestic product (GDP). This may be a rather too simplistic assumption. Higher figures are often quoted for procurement (16–20 per cent or sometimes even higher)³³ and these usually relate to *total government consumption*, including spending on employee costs such as salaries and pensions, which are not relevant to procurement spend.

The final consumption expenditure of a government as an element of GDP comprises the annual purchases made by the government in executing its functions and responsibilities. A large share of the final expenditure of government is also spent on consumables and salaries. The consumables include paper and paper products but exclude solid wood products. Actual government expenditure on fixed capital assets, the category in which wood products might play a role, is generally under 2% of GDP in Belgium, for example, and averaged less than 2.6% in the EU as a whole in the period 1999–2012.³⁴

The market share of a government’s procurement for any specific or even general line of wood product is not directly obtainable from publicly available data.³⁵ Market suppliers to governments tend to have a “feel” for the role of public procurement in specific product lines. The *direct market effect* of a public procurement policy on timber may be quite limited—equal to central government procurement of timber for buildings, furniture, landscaping and other uses with an expected service life of more than one year.

A 2010 UK study³⁶ noted the difficulty in obtaining reliable estimates of the market share of public procurement. Their efforts included consultations with wood traders and supplier groups, who believed that the public sector in the UK accounted for 20–40% of all sales. As the case of the UK shows, the effects of a central government timber procurement policy may be much wider than the direct spend of the central government. The *leadership effect* caused suppliers of wood products in the UK to the conclusion that 20–40% of sales are affected (directly or indirectly) by the central government’s policy.

The public service across Europe spends approximately 16% of the EU’s Gross National Product on purchasing a large volume of products, services and works. In Ireland, the total public sector purchasing power is currently about €15 billion per year – some 12% of GDP. The scale of this procurement offers an additional and powerful policy instrument alongside more traditional instruments such as regulation, policy direction, and economic mechanisms like taxation, to “move the market” – *the leadership effect* – in favour of the provision of more eco-efficient, less

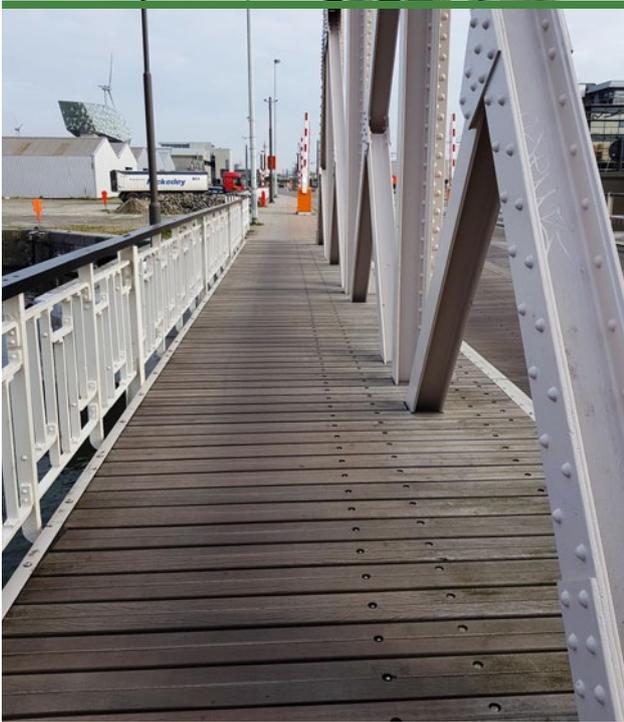


Figure 3: Wood decking used on a road bridge at the Port of Antwerp. Source: G. White

environmentally-harmful goods and services. By taking into account environmental criteria in its procurement procedures contracting authorities promote modes of production that are more environmentally friendly and stimulate greater supply of ‘green’ goods and services.

Government purchasing varies significantly across product sectors, from very high proportions (e.g. defence, road-building), to very low (e.g. consumer goods). Comparative data on government purchasing across product types is almost non-existent, but some detailed studies have been made of specific sectors. For example, in the United Kingdom the public sector is thought to account for 30–50% of demand for office furniture,³⁷ and in most countries public-sector buyers are particularly important for timber for specialist uses such as harbour works, sea defences and canals.³⁸

Even where public procurement probably accounts for only a small proportion of the market, some evidence suggests that procurement policies can have a broader impact on consumer markets³⁹ = *the supplier consolidation effect*. Suppliers’ preferences for relatively simple supply chains magnify the effect of public-sector preferences; if they need to supply sustainable timber for public purchasers, for example, they tend to prefer to supply the same products to their other customers too. One estimate⁴⁰ suggested that government procurement could achieve market leverage of up to 25% of the market (compared with about 10–12% for direct purchases) when knock-on effects such as these were included. Another study,⁴¹ looking at the UK market, concluded that somewhere between 20 and 40% of timber sales were affected, directly or indirectly, by central government policy.

As *Table 2* reveals the range of estimates is very heterogeneous and the simple answer is that *no one knows* the exact share of the given market in a given country. What is perhaps more pertinent is the level of perceived market share and impact – a topic that will be discussed later.

Estimate of government procurement impact on markets	Reporter	Notes
Less than 2%	OECD quoted in ITTO (2015) ⁴²	Belgium. Assumes government expenditure as a share of GDP equates to similar share of forest products market.
2.6% - EU average	OECD quoted in ITTO (2015)	EU. Assumes EU average government expenditure as a share of GDP equates to similar share of forest products market.
12% - government expenditure share of gross domestic product	OECD (2011) ⁴³	Global. Share of GDP excluding expenditure on salaries. Figure is not specific to forest products.
19% of Europe’s GDP	ICLEI based upon OECD	Europe. Figure is not specific to forest products.
Up to 25% market leverage	Simula (2006) ⁴⁴	Global.
25% of GDP across a range of countries	Simula (2006)	Global. Includes allowance for wider market leverage impact. Figure is not specific to forest products.
20 – 40% share of the national forest products market	Efeca (2010) ⁴⁵	UK market including wider market leverage impact.
30 – 50% of office furniture demand	Efeca (2010)	UK study.
46.2% average EU member state figure for share of total GPD categorised as “general government expenditure”	Eurostat (2016) ⁴⁶	EU. Figure ranges from low (Ireland – 27.5%) to high (France – 56.7%). Figure is not specific to forest products.

Table 2: Range of estimates for the market impact of public procurement policies for timber and related products

Market share of local government

Most figures estimating the impact of government expenditure tend to focus on the total expenditure of the public sector as a whole which includes central, regional and local government and often many quasi-independent agencies. Across the OECD as a whole, central governments account for about 30–35% of total public-sector expenditure, though this varies substantially between countries, from relatively centralized states such as the United Kingdom, where central government accounts for about 70% of public sector expenditure, to highly decentralized ones such as Canada, where the corresponding figure is about 15%.⁴⁷

Assuming an arbitrary figure of a 30–70 split between national and local government, potentially a very considerable share of overall public procurement is subject only to voluntary implementation of procurement policies (see Table 3).

Most public procurement, by value, takes place at a local level and most local government institutions or agencies are not obliged to implement national procurement policies (see Figure 6).

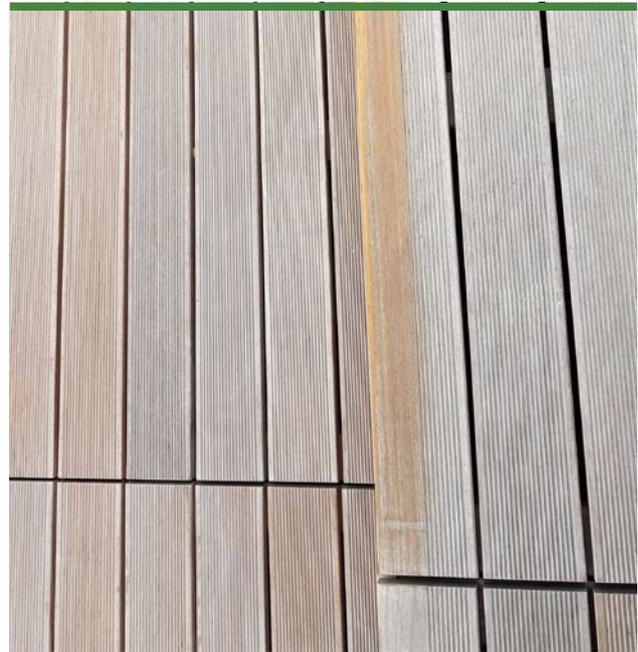


Figure 4: Ipe decking. Source: G. White

5 The content of public sector procurement policies

The table below provides an overview of the 28 EU member states and their procurement policies that relate to wood and to other wood based forest products. The table is based upon a wide variety of sources.

The “**Criteria**” column is a brief summary of the minimum criteria that are used for the included product type (or end-use) category covered by the policy or policies.

The “**Level of definition**” column briefly gives some information regarding the amount of detail published to support definitions. In some cases there appears to be no definition available and in others there is a huge amount of detailed analysis available.

The “**Forms of proof acceptable**” column briefly outlines what paperwork is acceptable, often ranging from third party certification, to FLEGT Licences through to export documentation.

The “**Range of products covered**” column briefly describes what products or end uses are included within the scope of the policies. The degree of specificity varies widely from product specific (e.g. copy paper) through to far more generic descriptions based on end-uses (e.g. timber used in construction).

Table 3: Overview of EU member state public forest product procurement policies

Country	Criteria	Level of Definition	Forms of proof acceptable	Introduction or revision dates	Range of products covered
Austria	Legal - all products except furniture Sustainable - furniture Paper - preference for recycled FLEGT	Defined Federal Procurement Agency	FSC & PEFC or equivalents. FLEGT Licences Voluntary legality verification	Introduced: 2010 Revised: ?	All wood based products including paper
Belgium	Sustainable	Detailed Belgian Government Procurement Policy	SC & PEFC or equivalents.	Introduced: 2006 Reviewed: 2009 & 2014	Wood based products excluding paper

Country	Criteria	Level of Definition	Forms of proof acceptable	Introduction or revision dates	Range of products covered
Bulgaria	Legal Sustainable (encouraged) Recycled	Based on EU GPP criteria	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Sustainable: Verified as sustainably managed (with no scheme specified).	Introduced: 2012	Paper
Croatia	Legal Sustainable (encouraged) Recycled	Based on EU GPP criteria	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Sustainable: Verified as sustainably managed (with no scheme specified).	Introduced: 2015	Paper
Cyprus	Legal Sustainable (encouraged) Recycled	Based on EU GPP criteria	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Sustainable: Verified as sustainably managed (with no scheme specified).	Introduced: 2007 Revised: 2012	Paper
Czech Republic	Legal Sustainable (encouraged) Recycled	Based on EU GPP criteria	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Sustainable: Verified as sustainably managed (with no scheme specified).	Introduced: 2010	Furniture
Denmark	Sustainable	Detailed Danish Government Procurement Policy for Tropical Forests	FSC & PEFC acceptable. Nature Agency assesses schemes against criteria.	Introduced: 2001 (tropical timber) General: 2003 Revised: 2013	All wood based products including paper
Estonia	<i>No criteria seen</i>				
Finland	Legal Sustainable FLEGT	Legality based upon FLEGT, CITES. Sustainability based upon "Forest Europe process".	FSC & PEFC. FLEGT Licences Ecolabels "Other reliable indicators"	Introduced: 2009 Revised: 2010	All wood based products including paper
France	Legal Sustainable Recycled papers	Detailed. Policy on Public Procurement of Timber and Wood Products	Any product or chain of custody certificate. FLEGT Licences. Evidence of management plan. Ecolabels. Industry code of conduct - self declaration of compliance. Customs documents to qualify legal/ sustainable products when entering the EU market.	Introduced: 2004 Reviewed: 2011	All wood based products including paper
Germany	Legal Sustainable	Detailed. German Government Procurement Policy Begleitende Erklärung zur Beschaffung von Holzprodukten	FSC & PEFC or equivalents.	Introduced: 2007 Revised: 2011	All wood based products made mainly from virgin material
Greece	<i>No criteria seen</i>				
Hungary	<i>No criteria seen</i>				
Ireland	Legal Sustainable Recycled papers	Detailed. Green Tenders - An Action Plan on Green Public Procurement	FSC & PEFC FLEGT Licences	Introduced: 2012	Paper Timber in construction
Italy	Legal Sustainable Recycled papers		FSC & PEFC Ecolabels FLEGT Licences Verifiable self-declarations Third party legal verification State approved export permits	Introduced: 2009 Revised: 2013	Copy & graphic paper. Windows & doors. Office furniture

Country	Criteria	Level of Definition	Forms of proof acceptable	Introduction or revision dates	Range of products covered
Latvia	Legal	Not defined	Certification FLEGT Licences	Introduced: 2008	All wood based products including paper
Lithuania	Legal Sustainable	Not defined	FSC & PEFC FLEGT Licences Third party legal verification	Introduced: 2007 Revised: 2013	All wood based products including paper
Luxembourg	Legal Sustainable FLEGT	Detailed	FSC & PEFC acceptable. FLEGT Licences	Introduced: 2014	All products listed in EUTR
Malta	Legal Sustainable (encouraged) Recycled	Based on EU GPP criteria	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Sustainable: Verified as sustainably managed (with no scheme specified).	Introduced: 2011	Furniture
Netherlands	Legal Sustainable (encouraged) Recycled	Detailed. Dutch Timber Procurement Policy Framework for Evaluating Evidence of Compliance with Timber Procurement Requirements	FSC & PEFC acceptable. FLEGT-Licensed. Timber Procurement Assessment Committee assesses schemes against criteria on a case by case basis.	Introduced: 2004 Revised: 2014	All wood based products including paper
Poland	<i>No criteria seen</i>			4th national action plan for GPP was introduced in 2017	No specific criteria identified for wood based products
Portugal	<i>No criteria seen</i>			Criteria are under development.	Potentially will include all EC GPP product / use categories
Romania	<i>No criteria seen</i>				

Policy coverage

In total the analysis as seen in *Table 3* indicates that 22 member states have some form of policy. Six member states currently have no public procurement policy – Estonia, Greece, Hungary, Poland, Portugal and Romania. Poland has developed a National Action Plan but no specific criteria have been identified for wood based products. Portugal has indicated that it will potentially include all EC GPP product / use categories in future policy. Estonia, Greece, Hungary and Romania remain the only EC member states without a policy or any identified plans to develop such policies.

Table 3 also indicates that the range of end uses and product types covered by the policies scrutinised is variable. Only 13 of the 28 states appear to have what might be termed comprehensive coverage in their procurement policies. 18 make reference to office and / or graphic papers and 19 make specific reference to furniture. 15 policies make reference to the timber used within “construction” though this varies, with those countries using the EU GPP criteria only applying the policy for “timber in office building design, construction and management”.

13 countries appear to have comprehensive policies that in theory apply to all purchases of timber products. Of these, Luxembourg’s policies (alone in this case) apply to

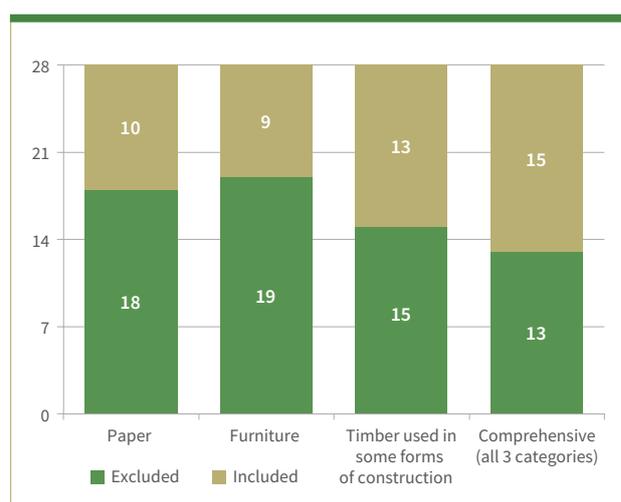


Figure 5: Public procurement policy coverage across the EU 28.

N = number of states which include / exclude specified end use within their policies.

all products that are within the scope of the EU Timber Regulation. Germany and the UK’s policies apply to all products that contain virgin wood fibre.

Country	Criteria	Level of Definition	Forms of proof acceptable	Introduction or revision dates	Range of products covered
Slovakia	Legal Sustainable (encouraged) Recycled	Based on EU GPP criteria	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Sustainable: Verified as sustainably managed (with no scheme specified).	Introduced: 2016	Paper Furniture Office building design
Slovenia	Legal Sustainable (encouraged) Recycled	Based on EU GPP criteria	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Sustainable: Verified as sustainably managed (with no scheme specified).	Introduced: 2011	Paper Furniture
Spain	Sustainable Recycled	Not defined	FSC & PEFC Ecolabels	Introduced: 2008 Revised: ?	Paper Furniture
Sweden	Legal "Acceptable"	Legal: detailed definition. Acceptable: No violations of human rights, traditional rights; no loss of high conservation values, no conversion of natural ecosystems.	Legal: FSC & PEFC, FLEGT Licences, third party legal verification. Acceptable: FSC & PEFC, FSC Controlled Wood or equivalent	Introduced: 2011	All wood based products including paper
United Kingdom	Legal Sustainable FLEGT	Detailed definitions. UK Government Timber Procurement Policy	FSC & PEFC acceptable. FLEGT-Licensed. Until 2014 assessments made by Central Point of Expertise (now defunct)	Introduced: 1997 Revised: 2013	All wood based products including paper
EC – Green Public Procurement - Guides	Recycled Legal FLEGT CITES	Policy to promote public green procurement and to increase similarities among procurement criteria of EU member states, and provide guidance and advice.	Recognizes chain-of-custody certificates from FSC or PEFC. It also recognizes EU Forest Law Enforcement, Governance and Trade (FLEGT) licenses from countries that have signed voluntary partnership agreements. For non-certified products, requires ability to trace through the supply chain to the origin.	Revised: 2018	Paper Furniture Timber in Office Building Design, Construction and Management

Sources for Table 3

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UK Department for Environment, Food and Rural Affairs- UK Government *Timber Procurement Policy, Timber Procurement Advice Note* (6th edition - March 2016)

EU Green Public Procurement criteria for Office Building Design, Construction and Management

EU Green Public Procurement criteria for Furniture

EU Green Public Procurement criteria for Copying and Graphic paper (http://ec.europa.eu/environment/gpp/commission_guidance_en.htm)

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Circular letter of 16 May 2014 - *Integration of sustainable development, including social clauses and measures in favour of small and medium-sized enterprises, in the context of public contracts awarded by federal contracting authorities* (Belgian Official Journal, 21 May 2014, p. 40529 - 40553) / Art. 54 of the Belgian Public Procurement Act 17 June 2016

Sustainable Timber Action website (<http://www.sustainable-timber-action.org/resource-database>)

Personal communications

Government websites

Belgium www.fido.belgium.be

Denmark www.naturstyrelsen.dk/Naturbeskyttelse/Skov/Miljoet/vejledning/

Finland www.tem.fi/files/28240/Finnish_National_Public_Procurement_Policy_for_Wood-Based_Products_web.pdf

Germany www.bmelv.de/SharedDocs/Standardartikel/Landwirtschaft/Wald-Jagd/Waldpolitik/HolzbeschaffungErlassAnhang.html

Ireland <https://ogp.gov.ie/>

Netherlands www.inkoopduurzaamhout.nl/pdf/Dutch%20Framework%20For%20Evaluating%20Evidence%20of%20Compliance.pdf

UK www.cpet.org.uk/uk-government-timber-procurement-policy

It should be noted that many of the policies identified here rely on a series of interrelating and inter-referencing documents. Time limitations will ensure that some references may have been missed.

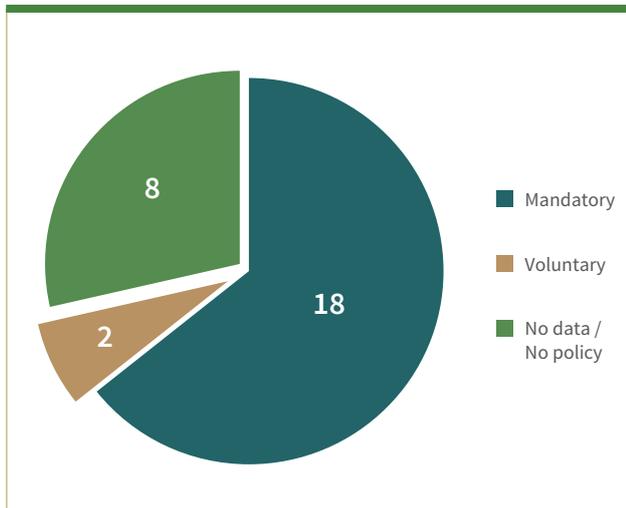


Figure 6: Mandatory versus Voluntary nature of central government department procurement policies across the EU. N = number of member states within each category

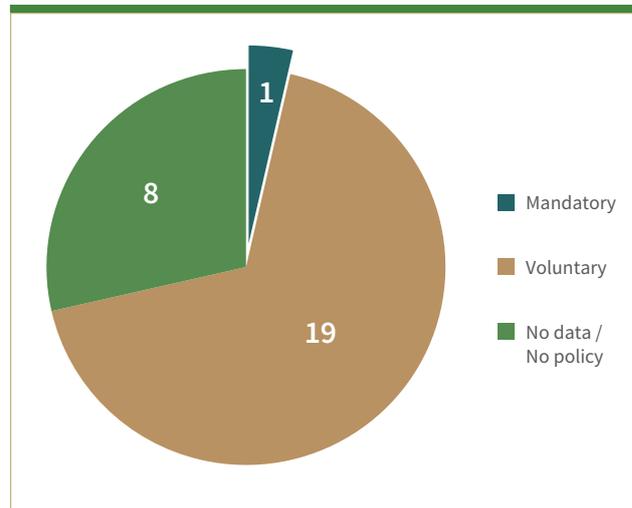


Figure 7: Mandatory versus Voluntary nature of local government procurement policies across the EU N = number of member states within each category

The definition of the category “timber used in some forms of construction” used in *Figure 5* is hybrid of a number of slightly different end uses. It includes policies that cover:

- all EUTR products
- timber in office building design, construction and management
- policies that state they apply to all virgin timber and wood-derived products used on the government estate including temporary site works and material supplied by suppliers.

Figure 6 gives an overview of balance between mandatory and voluntary applicability for government departments with respect to the policies. 17 of the EU’s member states are known to have mandatory policies with three with voluntary status. Unfortunately the study was not able to identify the status of the remaining eight member states.

Figure 7 compares the nature of policies as they apply to local governments and reveals that the vast majority of member states allow local governments to voluntarily apply green procurement policies.

What is clear is that the public procurement policies across the EU are not homogenous in terms of their uptake, coverage, overall level of comprehensiveness or in being of mandatory status.

Policy elements

The nature of this study ensures a focus on the relevance of FLEGT-Licensing within public procurement policies, though it is important to consider this within the wider context of policy content, such as acceptance of third party forest certification or other means of verification.

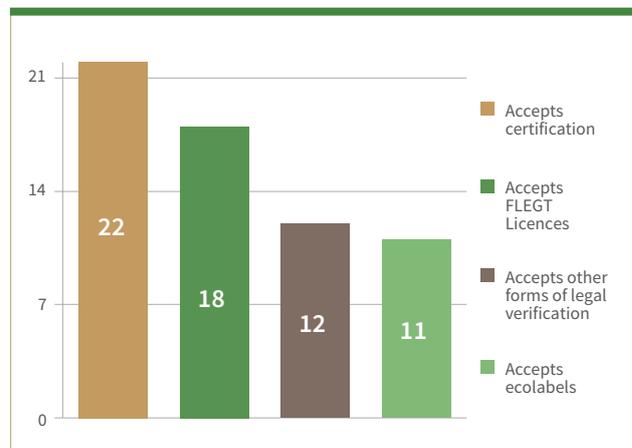


Figure 8: Variations in policy content across the 28 EU Member States

As *Figure 8* indicates the policies of the member states contain a variety of means of verification of compliance. The most common, in fact universal, acceptable means of proof of legality and sustainability is through certification, usually FSC or PEFC.

The second most common acceptable form of verification is that of FLEGT Licences, specified or mentioned by name within the policies of eighteen countries.

12 countries also allow for other forms of verification, ranging from third party verification of legal compliance through to forms of self-declaration. Ecolabels, in particular the EU ecolabel and the Nordic Swan ecolabel also feature in the policies of eleven countries.

Several reports^E have been produced in recent years which discuss the detail of policy content at great length and it

^E The most recent comprehensive reviews include: Efeca (2018) *Draft proposal: GPP / Ecolabel criteria for timber and timber products -Final Report*. Efeca / European Commission. ISBN 978-92-79-92899-4

Van Bueren, E.L. (2016) *Comparison of selected TPP’s*. I S A F O R, Netherlands Ministry of Infrastructure & Environment

is not the purpose here to review all of the environmental and social elements of the EU member states' procurement policies. Needless to say there has been great effort amongst many EU member states to justify the acceptability of the various means of verification to ensure compliance with EU Directives 17 and 18 and to meet the expectations of a wide range of stakeholder groups.

The 'legal and sustainable' hierarchy

In terms of their definitions of 'legal' and 'sustainable', the procurement policies can be divided into **four** broad groups.⁴⁸

- 1) Those that take their **definitions from the EU's common GPP criteria** where compliance with the EUTR is a basic condition.⁴⁹
- 2) Those that use the terms '**legal**' and '**sustainable**' **without setting out detailed definitions** of exactly what these terms mean.
- 3) Those that have developed **detailed sets of criteria for 'legal' and 'sustainable'**. The criteria derive from a variety of sources and inputs, including, generally, a multi-stakeholder consultation process, and they can be subject to revision in the light of developments. As reported by the Standing Forestry Committee,⁵⁰ in almost all cases certain social criteria are included and there is a focus on origin and production of wood and timber products, as opposed to life-cycle performance overall. All these countries have learned from one another's experiences, and, sometimes, adapted their definitions accordingly.⁵¹
- 4) The fourth group comprises just one country: Germany. It **accepts only products certified** by the two main global forest certification schemes, FSC and PEFC, or equivalent.

Status of FLEGT-Licensed timber in the hierarchy

It should be noted that member states differ in their approach to including timber accompanied by FLEGT Licences in their procurement policy. FLEGT-Licensed timber is verified as legally produced in and exported from countries with which the EU has agreed a VPA. To date only Indonesia has started to issue FLEGT licenses, but several other countries are in the process of putting in place the necessary timber legality assurance schemes under the terms of their VPAs.

Part of the VPA's is a commitment of the EU to provide a "green lane" for FLEGT-Licensed timber as being recognized legal timber. This green lane has the form of preferential treatment in the EUTR. In addition, such preferential treatment could be established by giving FLEGT-Licensed timber a status in the national procurement policy.

There are three different scenarios evident across the member states when it comes to acceptance of FLEGT-Licensed timber:

1. accepting FLEGT-Licensed timber on equal footing with sustainably produced timber, or,
2. accepting FLEGT-Licensed timber second to sustainable

produced timber (for example: "if sustainable is not available") or,

3. accepting FLEGT-Licensed timber as legal timber

Acceptance of FLEGT Licensing on equal footing to "sustainable" is the "**most generous**" option⁵² and may be considered fair to the VPA countries, which after all made great efforts to implement a Timber Legality Assurance System (TLAS).

However, policy makers in a number of EU member states have flagged up difficulties with this approach, partly as VPA-related legislation varies from country to country and the absolute levels of silvicultural performance almost certainly will not stand comparison from VPA partner country to country (i.e. forest practices that are legally allowed in one country are not always considered as being sustainable in another country or even generally considered so). Another practical difficulty raised was the lack of a FLEGT chain-of-custody system.

Accepting FLEGT timber as being second to sustainably produced / certified timber, or even less, merely as legal timber is almost certain to cause additional hurdles in the market. In practice, it means that FLEGT-Licensed timber is unlikely to ever be specified in public projects. It also means that FLEGT-Licensed timber is unlikely to benefit from leadership or supplier consolidation effects.

For the purpose of their timber procurement policies, the UK regards a FLEGT Licence as evidence of 'sustainability',⁵³ on equal footing with FSC and PEFC certification, and Luxembourg treats a FLEGT Licence as equivalent to 'legal and sustainable'. A number of other member states with policies aiming at sustainability but without detailed definitions, including Austria, Finland and Lithuania, also list FLEGT Licences as acceptable means of verification of sustainability. Belgium, Denmark, Italy, the Netherlands and Sweden, however, treat FLEGT Licences as adequate proof of legality but not of sustainability (or, in Sweden's case, of general 'acceptability').⁵⁴

The UK does not provide an explanation of why it treats FLEGT Licences as evidence of sustainability,^F but the report⁵⁵ that formed the basis for Luxembourg's policy included the following argument: '*It is generally believed that FLEGT Licences are stand-alone tools and thus have to be differentiated from those means directly addressing sustainability at a forest management unit level, e.g. certification. It is important that the Member States provide incentives for joining the FLEGT process and this can be done through public procurement policies. It is therefore suggested that the Luxembourg Government also explicitly accept FLEGT-Licensed timber as meeting the government requirements.*'

Accepting on equal footing means that both sustainably produced timber and FLEGT-Licensed timber are accepted. It does not mean though that FLEGT-Licensed timber is considered to be the same as sustainably produced timber. Though this point is somewhat lost in the semantics – it is accepted as an equivalent whilst not meaning the same thing – a confusing state of affairs.

Most countries have not yet formally stated what status they will grant FLEGT-Licensed timber in their procurement policy hierarchy.

Evidence of compliance

Certificates issued by certification systems may be accepted as proof of evidence for sustainably produced timber. The UK and The Netherlands classify this type of evidence as “Category A evidence”.

Member states are legally required also to accept other types of evidence as long as the particular evidence provides sufficient and verifiable proof that, in case of the sustainability requirement, the timber originates from a sustainably managed forest. The UK and The Netherlands classify this type of evidence as “Category B evidence”. Member states show whether they have an operational system in place to assess Category B evidence, including a reference standard to comply with and specific documented procedures.

A 2016 study^G showed that six major market countries accept certificates and labels of FSC and PEFC as evidence (“Category A evidence”) of compliance for buying and using sustainably produced timber, albeit the justification and process of decision making may be different in each country.

Only the UK and The Netherlands have a fully operational and transparent system in place for assessing “Category B evidence”. Luxembourg has an expert committee to analyse Category B evidence, but procedures had not been documented (in 2016). In Germany the Federal Institutions Johann Heinrich von Thünen Institute (TI) in Hamburg and the Federal Agency for Nature Conservation (BfN) in Bonn are responsible for the assessment of Category B evidence i.e. the products are produced in compliance with the FSC or PEFC standards applicable for the respective

country of origin. Denmark provides guidance on the use and assessment of other types of documentation other than certificates, including advice for demanding independent assessment, if documentation presented on request is not considered appropriate when presented.

Ecolabels

Eco-labelled products are accepted by a number of procurement policies (see Figure 8) and therefore are worthy of some consideration in the context of this study (and for the reason they have not been discussed in this context in the other reports previously cited). Furniture products, for example, which have been awarded the EU Ecolabel for furniture, or other relevant ISO 14024 Type I ecolabels directly fulfilling the listed requirements, can be deemed to comply with the requirements of the criteria for the EU Green Public Procurement.

“Ecolabelling” is a voluntary method of environmental performance certification and labelling. An ecolabel identifies products or services proven environmentally preferable overall, within a specific product or service category.⁵⁹ In contrast to “green” symbols, or claim statements developed by manufacturers and service providers, the most credible labels are awarded by an impartial third party for specific products or services that have been independently determined to meet transparent environmental leadership criteria, based on life-cycle considerations.

Within Europe the two main and most widely recognised eco-labelling schemes are those developed in the Nordic countries (*The Nordic Swan*) and by the EU – *The EU Ecolabel*.

Market impact of certification

The high levels of recognition and reliance on third party certification are linked to the scale of impact achieved by certification in the EU market. In 2016,⁵⁶ it was estimated that 30% of primary tropical timber (logs, sawn wood, joinery and plywood) products on the EU market were “verified sustainable” – FSC- or PEFC-certified. For softwood markets the certified market share figures are much higher, with figures quoted as high as 80% in some markets such as the UK.⁵⁷

Whilst it is not the purpose of this study to assess the markets for certified products, it can be seen that the third party certification schemes have made major progress in the main EU markets for tropical wood. This represents a major challenge in finding space in the market place for FLEGT Licenced products where they are pitched as an alternative or substitute for certified materials.

This raises a need for dialogue around the status of third party forest certification and FLEGT Licensing and their

Country	Estimated market share	Year of estimate
Belgium ^H	26%	2016
France	12%	2016
Germany	20%	2016
Italy	5%	2016
The Netherlands	63%	2015
United Kingdom	49%	2016

Table 4: Estimated market share of certified tropical timber in selected EU markets

relationship. They are not mutually exclusive (and perhaps ideally should not be pitched as alternatives or one a substitute for the other). There is complementarity and each system has different strengths and weaknesses. There have been recent moves⁵⁸ to address this which should be welcomed.

^F The UK government’s commitment in 2009 was to consider FLEGT-Licensed products as meeting the criteria for ‘legal and sustainable’ until April 2015. In July 2014 the deadline was extended indefinitely. It is understood that a review is planned to be undertaken in mid-2019 onwards.

^G The 2016 study assessed in detail the policies in Belgium, Germany, Denmark, Luxembourg, The Netherlands and the UK. Van Bueren, E.L. (2016) *Comparison of selected TPP’s*. I S A F O R, Netherlands Ministry of Infrastructure & Environment

^H All data from the 2018 Probos report (Van Benthem, M. et al (2018) *How sustainable ARE Europe’s tropical timber imports? - Estimating the market share of verified sustainable tropical timber on the European market*. Probos / IDH / STTC) - except data for Belgium which is taken from: http://probos.nl/images/pdf/rapporten/Rap2018_Gecertificeerd_hout_op_de_Belgische_markt_in_2016.pdf

Both schemes have criteria and product coverage of direct relevance to wood and paper. Both schemes in their criteria focus heavily on the production (forest management) aspects of the material in question and by their nature, ecolabels rely on legal compliance at various stages of the product lifecycle as an essential basic criterion. As noted within the criteria for the EU Ecolabel for floor coverings: *“The environmental impacts caused during the extraction of materials stage are mainly due to unsustainable management of the forests and plantations. [...] Ensuring legality and sustainability of the wooden and any other plant-based materials and products placed on the EU market is the first step to guarantee the future of the forest and forest-based sectors.”*

EU Ecolabel

The EU Sustainable Consumption and Production and Sustainable Industrial Policy (SCP/SIP) is an integral part of the Resource Efficiency Initiative of the Europe 2020 Strategy. This policy aims to reduce the environmental impact of production and consumption and contribute to the decoupling of the economic growth from environmental degradation.

Since its introduction in 1992, the EU Ecolabel is the main instrument included in this Plan aiming at promoting to consumers products with the best environmental performance. The EU Ecolabel is a voluntary tool awarded to a product through a process in which an applicant has to demonstrate that the specified Ecolabel criteria for a particular product group are met. The criteria the products must meet are being developed based on a life-cycle assessment of the most important environmental impacts on a product group basis.

EU Ecolabels which have relevance to forest products include absorbent hygiene products; paper products (with four sets of criteria for different uses, from tissue to graphic papers); wooden floor coverings; furniture and in future - office buildings.⁶⁰

Floor coverings

The product group of “wood-, cork- and bamboo-based floor coverings” was reassessed in 2016 with new criteria adopted. It comprises indoor floor coverings, including wood floorings, laminate floorings, cork floor coverings and bamboo floorings which are made, for more than 80% by weight of the final product, from wood, wood-based, cork, cork-based, bamboo and bamboo-based materials or fibres, not containing synthetic fibres in any of the composing layers.

For the purposes of this study, the relevant criteria include:⁶¹

- All wood, wood-based, cork, cork-based, bamboo, bamboo-based materials shall not originate from genetically modified organisms (GMO) and be covered by chain of custody certificates issued by an independent third party certification scheme such as the FSC, the PEFC or equivalent.
- All virgin wood, cork and bamboo shall be covered by valid sustainable forest management certificates issued by an independent third party certification scheme such as FSC, PEFC or equivalent.
- Uncertified material shall be covered by a verification system which ensures that it is legally sourced and meets any other requirement of the certification scheme with respect to uncertified material.
- Assessment and verification can be achieved through the applicant providing to the competent body a declaration of compliance supported by a valid, independently certified chain of custody certificate of the manufacturer for all wood, wood-based cork, cork-based, bamboo, bamboo-based material used in the product or production line and demonstrate that no virgin material is sourced from GMO. FSC, PEFC or equivalent schemes shall be accepted as independent third party certification.
- In all cases, the EUTR should assure that all the wood materials used in the manufacture of the floorings are coming from legal sources”.

Furniture

The product group for “furniture” was revised in 2017.⁶² It comprises free-standing or built-in units whose primary function is to be used for the storage, placement or hanging of items and/or to provide surfaces where users can rest, sit, eat, study or work, whether for indoor or outdoor use. The scope extends to domestic furniture and contract furniture items for use in domestic or non-domestic environments. Bed frames, legs, bases and headboards are included in the scope.

For the purposes of this study, the relevant criteria include:

- Requirements that all wood is legally sourced and that at least 70% is from third party certified sustainably managed forests.
- All wood, cork, bamboo and rattan shall be covered by chain of custody certificates issued by an independent third party certification scheme such as the FSC, the PEFC or equivalent.
- All virgin wood, cork, bamboo and rattan shall not originate from GMO species and shall be covered by valid sustainable forest management certificates issued by an independent third party certification scheme such as FSC, PEFC or equivalent.
- Where a certification scheme allows the mixing of uncertified material with certified and/or recycled materials in a product or production line, a minimum of 70% of the wood, cork, bamboo or rattan material, as appropriate, shall be sustainable certified virgin material and/or recycled material.
- Uncertified material shall be covered by a verification system which ensures that it is legally sourced, and meets any other requirement of the certification scheme with respect to uncertified material.
- The certification bodies issuing forest and/or chain of custody certificates shall be accredited or recognised by that certification scheme.

The two technical documents supporting the criteria for these ecolabels run to over 320 pages but do not make any reference to FLEGT Licensing. Both make reference to the EUTR in respect to legality of raw materials, so it could be argued that they indirectly reference FLEGT Licensing – though most users of the criteria are unlikely to be well versed in the intricacies of the EUTR and related FLEGT processes.

Nordic Swan Ecolabel

The Nordic Swan Ecolabel was established in 1989 by the Nordic Council of Ministers as a voluntary eco-labelling scheme for the Nordic countries – Denmark, Finland, Iceland, Norway and Sweden.⁶⁴

Numerous product and use categories are covered by a wide range of criteria.⁶⁵ Of most relevance to this study are the criteria for “Construction and façade panels” – which includes plywood; and criteria for “Furniture”; “Durable/resistant wood for outdoor use”; “Copy and printing paper”; “Printed paper” and “Tissue paper and tissue products”.

Nordic Ecolabelling has had requirements for sustainable forest management since 1998. In previous versions of the forest requirements, requirements were set for traceability, that wood should be legally harvested and not from areas of high biological value or unclear ownership. In addition, there was a requirement that a certain proportion of the wood raw material should be certified according to forest standards that Nordic Ecolabelling had evaluated.

In 2015, Nordic Ecolabelling carried out a revision of the requirements for wood raw materials (requirements for forest) in the Nordic Swan Ecolabel criteria. The revision resulted in a number of changes, including that the forest certification schemes FSC / PEFC are approved on a general basis without the assessment of Nordic Ecolabelling. In the consultation proposal for new requirements, it was also proposed that wood raw materials from areas with high corruption risk could not be used without additional risk assessment carried out by Nordic Ecolabelling. Based on received consultation comments, the requirement that excluded wood raw material from areas with a high risk of corruption was replaced by a list of tree species not allowed in Nordic Swan Eco-labelled products.⁶⁶

The prohibited species list has, after the revision in 2015, been under consultation together with other criteria in which wood raw material is included, but the possibility of commenting on the general basis for the list or species on the list has been limited, which has been criticized.⁶⁷

Criteria for tree species found in the prohibited list are wood originating from:⁶⁸

- IUCN red list, categorized as critically endangered (CR), endangered (EN), vulnerable (VU) and relevant species as Near Threatened (NT).
- Tree species listed within CITES Appendices I, II and III.
- Non-sustainable forestry, such as trees from HCVE, IFL – areas in countries/regions with high corruption.

The prohibited list of “species” includes 85 trade groups, made up of several hundred individual species and species groups. The majority of species, perhaps 90%+, are

tropical species. From a VPA-partner country perspective, they include major commercial species such as: *Ceiba*, *Ilomba*, *Khaya spp.*, *Meranti* (all *Shorea* and *Para-shorea spp.*), *Sapele* (and all *Entandrophragma spp.*), *Terminalia*, *Teak* and *Wenge*.

Listed tree species are indicated by the scientific name and the most common trade names, which is not always adequate, as there may be more than one scientific name / trade name for the listed tree species than the list indicates. From a precautionary approach, “closely related or similar tree species are included in the list”.

At the time of writing (April 2019), Nordic Ecolabelling is consulting with stakeholders on the basis of the list and the species on it in connection with the ongoing revision of the prohibited tree list.

Nordic Ecolabelling considers that the FSC and PEFC forest certification schemes are good tools for sustainable forestry and support these in the requirements for wood-based raw materials in Nordic Swan Ecolabelled products. Nordic Ecolabelling, however, also sees challenges with these schemes and in particular that the certification schemes allow logging in IFL areas (Intact Forest Landscapes⁶⁹).

Nordic Ecolabelling wants to apply the precautionary principle and reduce the risk that illegally harvested wood raw materials and wood raw materials from IFL areas are used in Nordic Swan Eco-labelled products. A list of tree species that are not allowed in Nordic Swan Eco-labelled products has therefore been prepared. The ban also applies to certified tree species. However, Nordic Ecolabelling has a belief that the FSC and PEFC systems and other initiatives and legislation are being developed so that the timber list can be shortened or removed in the long term.

Species on the list are based on the IUCN’s Red List and CITES in addition to species on *Regnskogfondets*⁷⁰ (Rainforest Foundation Norway’s) list of tropical tree species found in Norwegian building materials / products industry and furniture industry. There may be overlap between these sources so that the same tree species is on two or more lists. Nordic Ecolabelling has had a pragmatic approach to which species are on the list, as it is virtually impossible to create a complete list of species from IFL areas. This approach will therefore not cover all species from IFL areas, but will include those species that are mainly relevant in the Nordic market.

The current wording of the criteria makes no reference to FLEGT Licensing, though it is presumed that for Prohibited Species it carries no value (in the same way FSC- or PEFC-certified species are also excluded). Within the proposed changes under consideration there remains no consideration for FLEGT-Licensed material and it will remain prohibited. “Nordic Ecolabelling is right to be vigilant about species listed by CITES and IUCN, but it is wrong in how it uses these lists. Moreover, by adding species proposed by the Rainforest Foundation Norway, whose explicit objective, as the consultation introduction says, is a ‘full stop of buying tropical timber’, Nordic Ecolabelling gives the impression that it shares that objective without wanting to say that directly.”⁷¹

Neither of the two main eco-labelling systems in use in Europe currently contains any reference to FLEGT Licensing.

The Nordic scheme goes further and proposes to actively prohibit all tropical timber verified under any system.

Policy content comparison with the private sector

The 2018 IMM study of private sector purchasing policies⁷² assessed the range of issues and individual policy elements across a range of companies trading within the EU. The study identified a huge range of potential influences on company responsible purchasing policy content. The report showed that typical policies contain a number of positive elements – favourable conditions welcome in the supply chain, e.g. legal compliance, a form of verification or certification. Many policies also identify conditions that are unwelcome in the supply chain, e.g. breaches of rights, illegal wood, the exclusion of genetically modified fibre.

A summary of policy content for the private sector can be found in *Table 5* below.

Area of policy	Detail
Environmental	Avoidance of loss of High Conservation Values (HCVs) / Promotes maintenance of biodiversity Avoidance of forest conversion Reference to CITES Reference to climate impact / carbon Reference to production efficiency / pollution / toxicity
Social	Avoidance of armed conflict Avoidance of breaches of civil rights Avoidance of breaches of human rights Avoidance of breaches of traditional rights Avoidance of breaches of workers' rights
Legal	Promotes Legal harvesting Promotes Legal trading Pro-FLEGT Licensing (explicitly mentioned) Reference to EUTR compliance / due-diligence
Verification	Pro 3rd party certification Pro 3rd party verification of basic social criteria Pro 3rd party verification of basic environmental criteria Pro 3rd party verification of legality / legal compliance
Traceability	Pro traceability Pro chain of custody
Scope	Broad - to include ALL operations & product types Promotes inclusion of recycled fibre / material Excludes Genetically Modified fibre
Transparency	Promotes public reporting Promotes communication within supply chain Promotes periodic review of policy / policies

Table 5: The range of elements that can be contained within private sector responsible purchasing policies

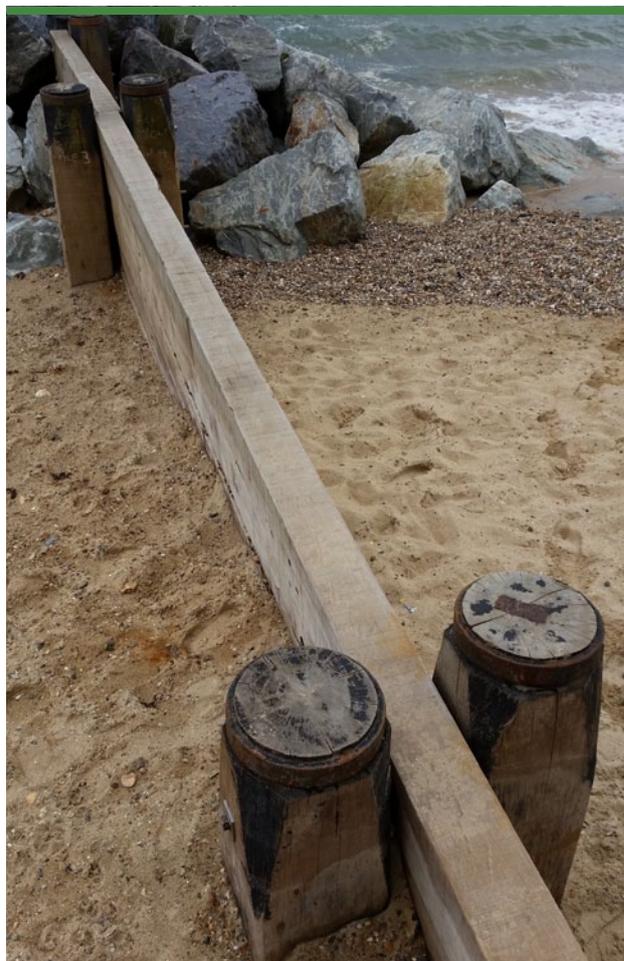


Figure 9: Azobé sea shore defences – UK. Source: G. White

The study included a review of 13 company policies in detail. It revealed that nearly all of the companies (with one exception) had clear policy elements specifying or promoting third party certification – typically PEFC or FSC. Policies stating a requirement for legal harvesting and trading of forest products were also revealed as a very common policy element – with 10 of the 13 companies including a reference.

Based on the analysis, for the sample of companies, a typical company policy contains:

- A preference for certified materials
- A clear statement regarding the legality of raw materials
- A clear statement regarding traceability of materials
- A positive stance towards chain of custody certification
- References to respect for traditional and workers' rights
- A commitment to public reporting of progress towards compliance or targets

As seen with the public sector, the private sector also greatly favours purchasing of third party certified products and usually makes clear it desire to trade legally harvested and traded products. A major point of difference between the policies of the two sectors is found in attitudes towards

monitoring of performance and the public reporting of compliance – with the public sector usually reluctant or ill equipped to demonstrate such transparency.

If I can't measure it – can I manage it?

As this study indicates, there are large variations in terms of the level of purchasing policy implementation, in terms of national versus local policy; product or end use scope variability; and mandatory versus voluntary implementation. Another area which perhaps should be of concern is the almost universal lack of monitoring of performance.

Most EU Member States undertake some form of monitoring of their green procurement policies⁷³ though typically this is in the form of process monitoring (i.e. checking if the correct policies have been included in tendering exercises) and typically **does not** extend to compliance monitoring (i.e. checks on whether policies were actually complied with). As one interviewee put it – *“the discussions around monitoring of GPP have gone on for years. The variations in criteria among member states mean there is no standardised reference to compare to”*. As another put it for their country's timber policy – *“there is still no accurate monitoring on which to base estimates”*. With no standardised monitoring of GPP and performance against the more general National Action Plans, little might be expected of the monitoring of the timber related elements of such policies.

One country that has recently tried to measure the impact of its timber procurement policy is Belgium. A 2017 study⁷⁴ of 140,000 tender notifications issued between 2011 and 2016 revealed that specification of PEFC and FSC was evident with over 1,800 specific mentions within tender documents. The same study indicated that FSC was specified within contract notifications on 88 occasions and PEFC in a single contract. The same study revealed that FLEGT Licences were specified not at all. The study could not reveal the volumes of material involved or whether the policy had been complied with.

The general absence of government reporting of compliance with their own purchasing policies has created a vacuum sometimes filled by NGO's seeking to promote compliance and to highlight failure. For more than 20 years WWF-UK has worked to promote demand for legal and sustainable timber and wood products. This has included regular assessments of local authority timber procurement policies and, in 2011, an assessment of central government's

timber procurement policy based on published data. In 2013,⁷⁵ WWF invited all UK central government bodies to complete an online survey about their implementation of the government's timber procurement policy. The survey (which was developed with advice from a number of public sector procurement experts) contained over 60 questions. 19 central government ministries and departments were assessed. Of these, only two were identified as monitoring their compliance with their purchasing policies. WWF has also routinely evaluated the EU member state government performance through the WWF EU Government Barometer which was conducted from 2004 to 2014. It aimed to assess member states performance in implementing policies against illegal logging. It assessed implementation of the suite of policy mechanisms such as; green procurement policies for timber, support provided to the VPAs, meeting the commitments under the FLEGT action plan, as well as implementation of the EUTR. The most recent assessment was the sixth edition of the survey⁷⁶ which concluded that only 11 EU countries at that time had *“adopted national legislation and procedures considered robust enough to control the legality of timber and timber products and set high penalties for those breaching the rules”*. The report revealed that WWF assessed only 30% of EU Member States had been able to prove that they *“had implemented a public procurement policy which effectively ensured that all wood products procured by public institutions were sustainably produced”*.

WWF-UK also routinely monitors the performance of UK local government. For its 2012 report⁷⁷ it assessed 433 local authorities (local government offices ranging from district to city level government). Of the total 124 responded to the survey. The survey revealed that an estimated 30% of UK local authorities had a timber procurement policy, and of this number, only around 30% had a policy that covered all of their purchasing. This suggests that perhaps around 10% of UK authorities have a comprehensive approach to responsible sourcing of wood products.

There is little evidence to suggest that other countries monitor their compliance with public procurement policies for their timber consumption. It can be concluded that whilst policy making is increasing in terms of application across the EU, the monitoring of uptake and impact is still in its infancy. Most EU member state government do not know how much wood they purchase and therefore have no idea how much certified, legal or FLEGT-Licensed material might be included.

Perceptions of procurement policies and the role of FLEGT Licensing

The interviews conducted with public procurement experts and stakeholders for this study focused on a small number of questions which were developed to allow a range of individuals in different countries and with different responsibilities to comment. The primary purpose of the interviews was to gather together *perceptions* of FLEGT Licensing in the context of public procurement. As the saying goes – facts are facts – but perceptions are reality and the interviews were designed in the hope of revealing any differences between the printed facts (i.e. the policies identified within this study) and the reality (i.e. the perceptions) of those faced with the day to day reality of working with the policies. Additional insights were obtained at the IMM organised trade consultation meeting in Antwerp in April 2019.

The modest sample of views indicates that government procurement policy is well understood, valued as important to the wider market and influential. Very few of those interviewed had specific experience of procurement policy acceptance of FLEGT Licences and most were focused on issues around supplying “legal and sustainable” material. For many FLEGT Licences were peripheral for their company or association membership.

An almost universal feeling from those involved in business, as a trader or representing an association, was that there is little or no monitoring of compliance within government agencies.

Views on procurement policies and their relationship with tropical timber were mixed. Some of those interviewed feel that tropical timber generally suffers from “an image problem” and this has an impact on those who procure wood products. In effect many of the procurement officers within government have little knowledge about how tropical wood is produced but they do have the same negative prejudices that many in society carry. This leads to a perception that tropical wood perhaps faces more scrutiny than other wood based materials; and wood per se faces more scrutiny than other materials.

The interviews revealed a broad consensus in the belief that procurement officers do not have a clear understanding of what FLEGT Licensing is or what it represents. Some of those interviewed felt that they are ill equipped to explain the value, and some feel they have insufficient

knowledge to make the explanation. Other felt that it was the responsibility of the EU or the VPA signatory countries to make the case for FLEGT Licensing and to communicate precisely what it means and where it fits within procurement policy hierarchies.

The market impact and degree of trust in third party certification was mentioned by many of those interviewed. Some indicated a degree of suspicion around FLEGT, seeing it as a threat to efforts to increase the volumes of certified wood. The consensus was around the notion that the benefits of VPA process were not well understood.

A number of those interviewed also remain sceptical about the ‘sustainability credentials’ of a VPA. Some interviewed are willing to believe that FLEGT Licensing represents a significant movement in the right direction towards sustainability – some believing it is synonymous with sustainability. Others await the evidence to indicate that FLEGT Licensing delivers anything more than legal compliance.

Like forest certification FLEGT Licensing faces challenges in proving its value and in providing clarity in what it is – and what it is not. Like forest certification it also faces the challenge of communicating the benefits it brings across a range of countries, forest types and political frameworks. As one timber trader noted – “*FLEGT has sustainability elements but these have not been communicated and we don’t know precisely what they are*”.

Almost universally in interviews with traders and associations is the opinion is that wood products face more scrutiny regarding their legality and sustainability of production than other construction materials. The EUTR is designed to ensure the minimum level of performance – legal compliance – but few other commodity materials require such regulation to reach a legal compliance starting point. Several of those interviewed mentioned competing materials that face little scrutiny over their origins.

Those interviewed who are more associated with general policy making do not believe that wood products face more scrutiny than any other material, pointing to complex products with immense and complex supply chains facing multiple social or environmental issues without the benefit of third party certification or verification.

Case Study 1

The Belgian sector agreement for the increase of the supply of timber products from sustainably managed forests

This agreement between the forest-based industry federations and the Minister for Climate and Energy was signed in March 2011. The first of its kind in Europe it committed the different forest-based industries to extending their supply of environmentally friendly products and to make customers aware of the importance of sustainable timber.⁷⁸

The forest-based industries committed themselves to exclusively using timber from legal origins and to extending their supply of timber products from sustainably managed forests. By 2018, the target was for a portion of primary wood products (defined as sawn wood and board material) to rise from 15% to at least 35%.

The main elements included:

- **Communication** and sensitization.
- **Promotion of legal sourcing** and CITES timber.
- **Targets for certified timber** with a schedule for at least 35% originating from sustainably managed forests by the end of 2018.
- **Verification** including a market survey, financed by the Federal State.
- **Reporting** of promotion of sustainable forest certification and supply chain verification.

The second market survey for 2016⁷⁹ was completed in April 2018. It showed that in 2016, the share of all certified timber products on the Belgian market had increased to 59.5%. The share of certified tropical sawn wood was estimated at 25.6%.

2018 saw a great deal of discussion amongst the signatory associations and the Ministry to try and agree a new sectoral agreement (*Sectoral agreement to increase the supply of certified wood products from sustainably managed forests 2019-2024*⁸⁰). The process to form a new agreement for post 2019 is currently reaching its conclusion with the draft agreement available for public consultation (as of April 2019⁸¹).

The main points of **difference** to the 2011 Agreement are:

- The removal of certification targets.
- + Inclusion of a reference to the EUTR and support for compliance with the Regulation.
- + Inclusion of second transformation products – a broadening of scope.

In **terms** of similarities with the first agreement:

- = Monitoring will continue.
- = Promotion both within the industry and to consumers will continue.
- = Verification and reporting will continue.

The second draft Agreement is also similar to the first in that there are **not** any direct references to FLEGT processes and FLEGT Licensing in particular.

Some stakeholders during the consultation argued that FLEGT Licensing should be included or at the very least referenced (i.e. arguing that it represents a process improving the standard of forest management). Other stakeholders argued that FLEGT Licensing was not an equivalent to FSC or PEFC and therefore it could not be included (i.e. arguing that it does not equate to sustainably managed forests).

“Why is FLEGT excluded from the agreement? I think it is perceived as only covering legal compliance. If it was to be included it would need to be through a transparent evaluation process as a follow up to the previous study”.

“FLEGT from Indonesia goes beyond legality, it includes sustainability aspects as well. However, there are some points (e.g. traceability) where the standard scores less than FSC and PEFC. The question is whether or not FLEGT is sustainable. We know that Indonesia is working on improving its sustainability aspects. We think that the role of FLEGT timber from Indonesia in this sectoral agreement must be further evaluated. However, we cannot just add the term ‘FLEGT’ in the sectoral agreement, since not all new FLEGT countries will use the same standards”.

The case study reveals the challenges for FLEGT Licences in the market place in a key EU market. Direct comparisons with certification, the lack of evidence of what the VPA is actually achieving on the ground, concerns over national performance differences plus a lack of a chain of custody system appear to be holding back acceptance within this important agreement.

Case Study 2

Sailing into stormy waters – the Gorch-Fock story

The Gorch-Fock, the sail training ship of the German Navy, is currently being renovated ready for continued service. The renewal work for this wooden framed sailing ship requires the use of several tons of tropical wood. However, according to Report Mainz in late 2018, the import of timber violated the government's procurement decree.

The German Ministry of Defence, responsible for procuring wood for the renovation, had previously decided that the best material available was Burmese / Myanmar teak. The procurement of the teak concerned German NGOs who made enquiries as to the origin of the wood. After initially being informed that the wood was "FSC-certified wood from plantations", further enquiries revealed that the wood was in fact from Burma / Myanmar, originating from natural forests and was regarded by the Ministry as "legal". Those interviewed for this study claim that the Ministry of Defence was ignorant of its own purchasing policy.

It is not the purpose of this study to focus on issues surrounding sourcing wood from Myanmar, but the case *does* highlight the ineffectiveness of implementation of the German government procurement policy for a high-profile project.

This case does not directly relate to FLEGT Licensing, but it illustrates that even in a country with the longest history of public procurement



policies, with perhaps one of the simplest and most strict purchasing policies exclusively favouring certification: there is still often a gulf between policy intent and the actual on the ground implementation.

Would FLEGT-Licensed timber fare any better in such stormy waters? Anecdotal evidence from traders interviewed for this study suggests not. They suggest that Indonesian FLEGT-Licensed material has been offered on occasion for EU funded construction projects managed by German companies. The material offered has been rejected as 'not being compliant with German procurement rules'. The irony of the output of an EU funded international process not meeting the standards of an EU funded construction project is not lost on the traders who have been involved. Incidentally the project ended up using Russian FSC certified material.

Conclusions

Europe has seen a long history of public procurement policy development and over time has seen a mass of policies which have direct and indirect impacts on the sourcing of timber and other forest products. The EC has undertaken a huge programme of work coordinating national action plans and developing a range of criteria. Nationally many member states have developed their own policies and in some cases detailed criteria and supporting processes to drive uptake.

The evidence for the size of the market directly impacted by government procurement policies is somewhat unclear though it can be regarded as significant, though not perhaps anywhere near as significant as the public sector in terms of value. The perceptions of the impact of public procurement policies indicate that it is an important market and one which has an impact across the timber sector that goes beyond what is specified within a single tender.

If public procurement is to be maximised as a driver for legal and sustainable timber, it suffers from a lack of monitoring and a lack of being mandatory across the EU. With a number of countries with no policy in place and with the majority of purchasing at the discretion of local governments the message and drive is somewhat lost by the time it reaches the supplying companies. The theory of change therefore breaks down in the implementation.

The specification of third party certification within procurement policies has been a major success story. All of the Member States with timber or paper procurement policies are clear on their acceptance of certification. This mirrors studies of private sector purchasing policies, though it differs when considering FLEGT Licensing. With the majority of member states with a relevant procurement policy recognising the acceptability of FLEGT-Licensed material, the public sector has, in written policy terms, begun to embrace FLEGT. The interviews reveal that what is clearly missing is a link between what exists on paper and what actually happens in purchasing decisions. FLEGT Licensing may be acceptable within the criteria, but is anyone choosing it when certified products are also available? There is little evidence to suggest this.

FLEGT Licensing suffers in that it is perceived as one-dimensional (legality focused) and does not have the same levels of vocal support amongst the wide range of stakeholders and policy influencers and its benefits remain untested beyond offering a “legal” product. The range of perceptions of what a FLEGT Licence actually represents is broad, ranging from “legal compliance” through to “sustainable”. Without credible evidence in the public domain to assist this will continue to be a hurdle to wider acceptance.

FLEGT Licensing also suffers from comparisons to third party certification. Whilst a profoundly different process – with arguably profoundly different results – it continues to be compared with certification. It is understandable that such comparisons are made as certification has become common currency and has 25 years of understanding and use – and more importantly, acceptance. Not without its

critics it remains the pinnacle. The challenge for FLEGT Licensing is perhaps to find ways not to be compared, but to develop its own messaging and values.

Some general conclusions can be drawn.

- i. Attempts to unify and consolidate the procurement policies across member states are a tortuous process. Member States each have differing views around policy content and scope, and there is no heterogeneous approach, despite some national similarities and the attempt of the EC to coordinate green procurement policy.
- ii. The lack of monitoring of policy compliance and the voluntary nature of policies across Europe restricts the impact of policies. This is a universal criticism and impacts upon all the policy elements – such as driving certification uptake, due diligence compliance, or other elements such as FLEGT Licensing.
- iii. Third party certification is the acceptable proof of choice for the vast majority of EU member states as a means of complying with their procurement policy.
- iv. Many companies that supply, or potentially can supply public bodies, are not sure where FLEGT-Licensed material sits in their own purchasing hierarchy. Is it worse, as good, or perhaps, even better than certification or legal verification in terms of benefits offered? It is their perception that NGOs working in this sector and government procuring agencies similarly are either ignorant of, confused about it or perhaps even feel threatened by the FLEGT process.

It could be argued that it is a moot point regarding the explicit status and presence or otherwise of FLEGT-Licensed timber within public sector purchasing policies. The nature of the EUTR and its universal application across all EU Member States *should* ensure that it carries status and meaning in the market regardless of whether a “paper policy” confers some additional status upon it. The reality though is that Licensed timber remains very much in a niche and that even those working within the niche have varying levels of support, belief and trust in the “FLEGT brand” and what it actually stands for.

The challenge for those who support the process and concept is to ensure it carries value that EU based public bodies and businesses can recognise, believe in and literally buy in to.

Has something perhaps been lost in the “race to the top” in the Europe-wide pursuit of green procurement standards? Government procurement officers have a million and one details to worry about and compliance with a timber standard is but one detail. They have to synthesise a great deal of specifications and prefer simple and clear solutions. When presented with the “fact” that certification ticks all of their boxes they are happy – the specification is met. Trying to introduce FLEGT Licensing in to a crowded policy space where certification has already clearly made its presence felt and valued is a daunting task.

As one interviewee observed “*The procurement officer is only interested in the specification being met – they are not interested in the choice of species or material type. They are not on the side of timber or any specific material, they want the specification to be met and the cost kept down*”. The challenge for FLEGT Licensing is that the certification schemes have a 25-year advantage and have done an excellent job of marketing and positioning themselves – they are hard-wired in to the procurement standards. The challenge for FLEGT Licensing is to clearly identify its position in procurement hierarchies, to indicate how it ensures compliance with national and EU procurement policy legislation and regulation and to do this without being seen to undermine the huge efforts made to increase the availability of sustainable material. Perhaps an unenviable task.

Arguably the standards required in the marketplace are relatively straightforward for EU-based foresters and producers to comply with so asking for the highest standards of sustainability from a willing domestic (EU) market is somewhat self-serving. It does not create much room for the FLEGT-Licensed producer. Even though the EUTR creates a special status for the material this is only of value to EU-based “operators” and first placers on the market. Their customers – the procurement officers – are offered far more meaningful (and recognised as sustainable) materials that meet the green criteria of the specification. Why would they take a minute to consider something else?

A small number of those interviewed believe that the procurement standards are functioning as elaborate non-

tariff barriers that have been quite lawfully established to make sure that market entry conditions favour the domestic industries and forests of Europe over all others. As one interviewee put it – “*they set high standards in the name of sustainability whilst effectively denying market entry for anything not made in Europe. They quietly believe that the VPA process in other countries will surely make them less competitive and ensure that by the time that they can meet the entry requirements they have fallen so far behind it is like launching a new product*”. As another put it – “*these procurement policies are all very politically correct and righteous, while they just destroy any hope of encouraging the producers in the tropics. Why should they bother? You can get a decent price in China or Viet Nam, why would you jump through these hoops? They are just making sure that their voters in Europe are happy – voters that own forests and some NGOs and consumers that think tropical wood is akin to murder*”.

While most observers are perhaps less brutally cynical, there is a sense that many of those involved in the timber trade are witnessing the market share of tropical timber declining and, despite growth in third party certification and now the introduction of FLEGT Licensing, there has yet to be an uplift in favour of tropical woods.

Overall the interviews reveal a general sense that the VPA process and FLEGT Licences have so far undersold themselves in terms of communicating their value. Those who have followed closely the developments in countries like Indonesia see major changes and improvements but struggle to find ways to convey the value of this in the public procurement marketplace.

Recommendations

Communicate results of independent reviews of the performance of the systems underlying FLEGT Licences.

Use reports of VPA monitoring and evaluation initiatives to identify the performance and value of FLEGT Licensing and address the concerns of users and stakeholders with respect to its real value and impact in-country. Use existing methodology and frameworks developed to independently assess forest certification schemes to assess and present results to identify levels of performance across a range of environmental and social criteria.

The interviews conducted for this study revealed a range of understandings, some accurate and some inaccurate, on the attributes of FLEGT-Licensed timber. Some interviewees perceived FLEGT-Licensed timber as an indicator of sustainable forest management, while others doubted it even equated to legal compliance. It is positive that there is a good level of awareness of FLEGT-Licensed timber and that businesses and policy makers are well disposed towards it. Nevertheless, it is important that such awareness is based on a *clear, unambiguous and accurate understanding* of what FLEGT Licensing represents in terms of legal compliance and social and environmental performance.

Support the efforts of the FLEGT countries, especially those with a functional TLAS, to promote the benefits and positive impacts of these systems.

FLEGT Licensing and supporting TLASs are business-to-business tools and systems, which presently are not widely understood and whose benefits are either not known or which are poorly communicated. European procurement policy makers need to be able to see and believe the value of processes, but they **need to hear this message from their peers** within the countries with active TLASs. Authentic communications originating within the VPA countries designed for a policy making audience are vital to building trust in the system.

Research, consult widely and then clarify the status of FLEGT Licensing compared to third party certification

An official stakeholder dialogue should be opened to determine where FLEGT sits in relation to private third party sustainability certification schemes, namely FSC and PEFC, in order to help market players understand the respective strengths and weaknesses of licensing and certification and to maximise the benefits and impact of tropical timber promotion.

Actively engage those civil society organisations and private sector organisations that seek to influence public sector procurement policies.

Whilst many influential organisations already support FLEGT Licensing many others can be potentially influenced to be more supportive in their advocacy. **Continued dialogue and trust building** based on communication of the evidence-based benefits and realistic limits to the value of the VPA process and FLEGT Licensing in particular is essential.

Speed up the introduction of FLEGT-Licensed timber supplies from other VPA countries.

There is an underlying frustration within the private sector that FLEGT-Licensed timber from a single country is insufficient for market needs and insufficient to convince industry that VPA are successful and that FLEGT-Licensed timber is a serious contender in the market place. The **wider availability of FLEGT-Licensed timber would build the commercial proposition** and offer choice in the marketplace and expose FLEGT Licences to more public sector markets.

Annex – Interview Questions

- 1 Can you give a brief overview of the procurement policy in your country?
2. How is the policy implemented and by whom?
3. Do you think the policy is being implemented well?
4. Can you estimate the share of the timber and forest product market impacted by the policy?
5. How does the policy (and guidance) relate to tropical timber?
6. How do you see the role of FLEGT-Licensed materials vis a vis the policy?
7. Have green public procurement policies driven better forest management?
8. Do any of your policies for other materials make reference to legality or sustainability of production?

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